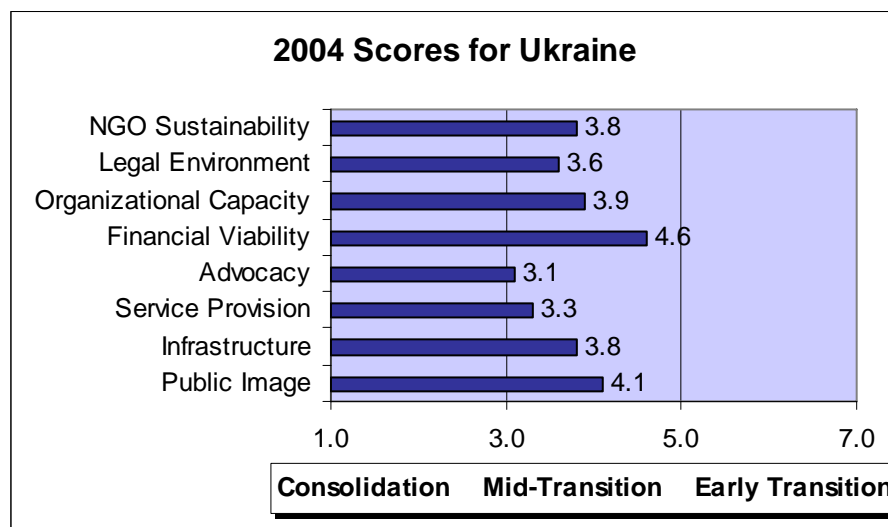
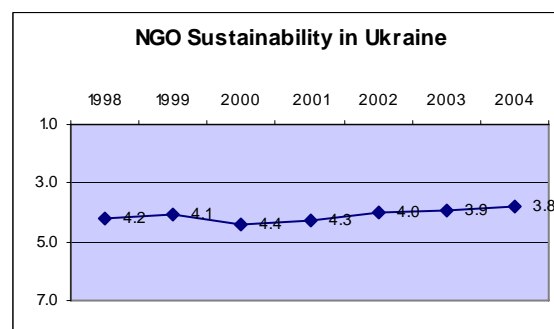

UKRAINE

**Capital:** Kyiv**Polity:** Republic**Population:**
47,730,000**GDP per capita
(PPP):** \$5,400**NGO SUSTAINABILITY: 3.8**

Even before civil society led the successful “Orange Revolution,” the NGO sector had made incremental improvements in a number of dimensions. The Legal Environment dimension improved following the enactment of two new, progressive laws. The Financial Viability dimension also improved, as a growing number of organizations were successful in securing funding from the business community and government. Similarly, the Public Image dimension improved steadily as NGOs continued to engage the media and develop relations with other sectors. Although more organizations acknowledge the importance of and apply strategic planning in their work, the divide between the levels of capacity and management skills of NGOs in

the rural and urban areas has increased. As a result, the Organizational Capacity score remained static, despite significant progress by Ukraine’s leading organizations. The

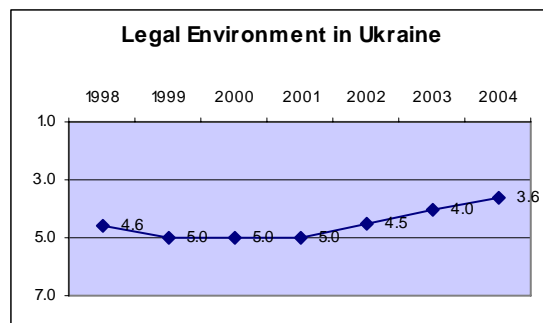
Service Provision and Advocacy scores also remain unchanged from last year.



In 2004, the total number of NGOs in Ukraine increased to approximately 40,000 organizations, 10% of which are active. The exact number of registered organizations is still unknown as the Single National Register is not yet operational. As in the past, Ukrainian NGOs address a number of issues from social services to public policy and politics and represent a variety of demographic groups.

LEGAL ENVIRONMENT: 3.6

Improvements in the NGO legal framework have increased the potential for sector-wide development. A new Law on the State Registration of Legal Entities and Individual Entrepreneurs, adopted in spring 2003, simplifies registration procedures for NGOs and creates an automated public Single National Register of NGOs. The Law requires that the Register be continuously updated to ensure that accurate information about registered NGOs is available at all times. The Civil Code and the Law on State Registration further specify NGO internal management mechanisms and dissolution procedures. Amendments to the Criminal Code repealed the provisions that made participation in non-registered organizations illegal.



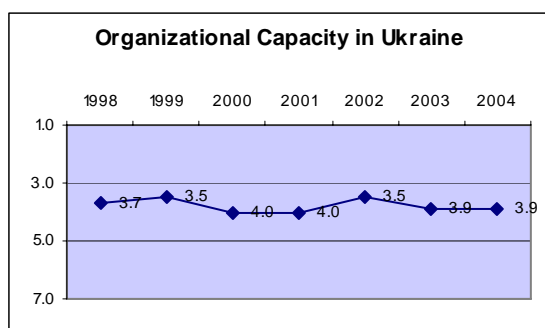
The Law on Social Services came into effect on January 1, 2004, creating a more conducive environment for NGOs to expand their income generating activities. While the law was under consideration, many organizations discussed the legislation, provided comments, and proposed a number of amendments. NGOs also provided the Ministry of Labor and Social Policy with their legal expertise in drafting the

implementing regulations for the new law, offering counsel on issues such as licensing, standards, and quality control. NGOs participated in preparing draft amendments to the Law on Public Associations with the goal of bringing the law in line with the Constitution, Civil Code, and international agreements.

However, implementation of these legislative advancements has been complicated by vague or unclear wording, which has allowed authorities to ignore some provisions and interpret others at their discretion. In addition, NGOs are still generally unaware of the new opportunities provided under the Law on Social Services, and have yet to take advantage of their new rights to engage in economic activities. NGOs that provide services in the rural communities are often more passive, and few take advantage of available legal services provided by clinics, hot lines, and mail services. They are generally unaware of their legal rights and obligations as well. To address this issue, the Academy of Municipal Governance offers classes in NGO legislation. The Ukraine Citizen Action Network (UCAN), funded by USAID, is also offering training courses to NGOs so they may better understand and use the existing legal framework. Other training and support programs such as legal consultations, hotlines, newsletters, and roundtables all permit NGOs to operate freely and with the greatest latitude permitted.

ORGANIZATIONAL CAPACITY: 3.9

Overall, the level of organizational capacity in the NGO sector did not increase much in 2004. While the leading NGOs continued to steadily improve organizational capacity, the majority of grassroots organizations are still slow in their development. The result is an expanding divide between a few well developed organizations and the rest of the sector. While some organizations improved their management skills and capacity and operate according to a strategic plan, others acknowledge that they either do not consult their plans or do not have plans.



The larger NGOs that were active in promoting democracy and involved in Ukraine's recent Presidential elections generally have well-defined structures and missions, a paid staff, job descriptions, work plans, annual reports, and audits. These organizations have also increased their volunteer staff, operate effectively in both the urban and rural areas, and have access to basic office equipment. These improvements may be a temporary result of

the recent elections, and may soon fade. This is unlikely, however, as the NGO sector will soon be turning its attention to the Parliamentary elections, and ought to be able to maintain its current level of support and participation. Donors often require their grant recipients, who are primarily the larger NGOs, to meet strategic planning requirements and clearly define their missions. As a result, recipient NGOs, including think tanks and social organizations, have increasingly become more professional and businesslike in their operations and public relations.

Organizations in the regions tend to have weaker technical capacity than those in the urban centers, as they generally receive less support from donor organizations. Many organizations outside the urban areas, especially those that work in the social sector with disabled or retired persons, are without access to offices or equipment, and unable to afford a paid permanent staff. In addition, these organizations rarely take advantage of training opportunities, and are not always transparent. NGOs in rural areas are often "one-man shows" that operate without registration and do not comply with the applicable laws and regulations.

The Law on Associations of Citizens does not have any provisions that create requirements and standards concerning the internal structure and management of NGOs.

FINANCIAL VIABILITY: 4.6

The financial viability of NGOs in Ukraine continued to improve in 2004. A few organizations even reported annual budgets between 3-5 million US\$. Many organizations complied with their donors'

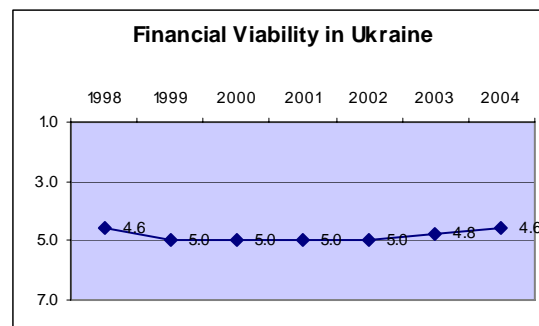
auditing requirements, which are necessary for healthy operations. Further evidence of progress is the growing number of

organizations that have published their financial statements.

Smaller organizations with less funding, however, may prove to be the most financially stable in the immediate future. As foreign donors phase out their support, which may or may not happen in light of the recent elections, larger NGOs that have enjoyed significant funding will have to consider carefully other sources of income. Provisions in the new Law on Social Services and the Civil Code address this issue by creating opportunities for NGOs to increase their incomes. Some local governments and businesses have already begun to take advantage of these new provisions by contracting with NGOs. This contracting is still not a significant means of financial support, and the priorities of local donors often differ from those of the international donor community. Many NGOs, such as resource centers, may be forced to close as the international funds that support them dry up.

Often smaller organizations, especially those in the regions, do not have or need much funding. Many conduct low-cost activities such as the distribution of humanitarian assistance for at risk communities, or pre-school education, and survive on small

charitable donations. With small amounts of funding, such organizations are generally able to operate without complex financial management systems.



Many organizations lack sufficient funding because their managers are not business savvy and are unable to diversify their organizations' funding beyond its existing donor support. Overall, the sector lacks sufficient financial management capacity and experience, and few organizations seek out professional accounting services. A number of NGOs even prefer to remain informal to avoid paying taxes on their activities. As they are unregistered and wish to avoid attention from the tax authorities or other officials, informal organizations do not advertise their work or get involved with the media. Generally, all types of organizations lack the funding necessary for audits and reporting.

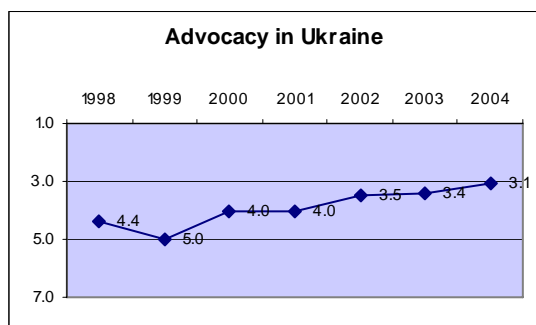
ADVOCACY: 3.1

The 2004 score for the Advocacy dimension marks improvements made over the past year. Early in the year, civic groups and coalitions became increasingly active in initiatives to ensure a free and fair presidential election in Ukraine. The Committee of Voters of Ukraine (CVU), Ukraine's leading election monitoring organization, issued a series of reports on governmental transparency and

parliamentary activity, generating significant national and international attention. The citizens' initiative Znayu! (I know!) brought together 68 civic organizations, and provided legal assistance and conducted nationwide voter education activities. The Pora! (It's Time!) is a youth group that organized young activists throughout Ukraine and became a key player in Ukrainian politics. Two NGO coalitions,

The Freedom of Choice and The New Choice, effectively coordinated and consolidated civic actions to educate and mobilize voters, as well as advocate for fair elections.

Other NGOs advocacy efforts continued as well. According to the Law on State Regulatory Policy, legal entities, individuals and all associations have the right to submit proposals and comments on state initiatives. Public organizations that have a strong background in policymaking may also participate in official discussions and provide expert opinions in drafting legislation. Accordingly, one coalition of NGOs has participated in drafting the regulations to implement the Law on Social Services, which includes licensing and public procurement provisions. The coalition lobbied for amendments to the legislation when it was under Parliamentary consideration.



NGOs continue to develop their lobbying skills and increasingly are cooperating with

local and central government officials in policy discussions. Unfortunately, while the central government allows NGOs to participate, it is seldom in a productive manner. The Public Advisory Boards of the various Ministries, for example, often include representatives from think tanks, but fail to include membership organizations that represent larger constituencies. Membership organizations have yet to sufficiently pressure government officials for adequate participation, or exploit the limited opportunities that are made available.

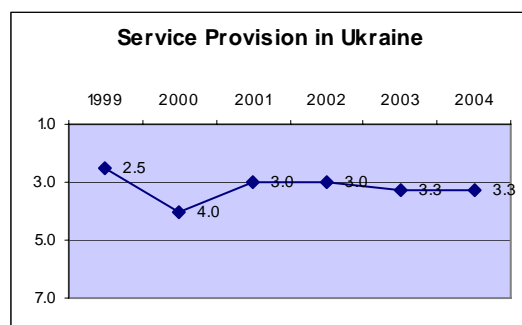
At the regional level, the local governments often lack funding to provide certain services, and instead turn to NGOs. The Mykolaiv Association of Business Employers, for example, provided one municipality analysis on the effectiveness of its tax policy. As a result, the municipality adopted two regulatory documents containing decisions that had been stalled for two years. The Kolomyia Economic Development Association initiated dialogue between local governments, the business community, and citizens on the reform of residential services. The public dialogue increased civil society's trust in the local government, and helped municipal authorities make effective decisions on local development issues.

SERVICE PROVISION: 3.3

NGOs increasingly address the needs of their communities by providing services in areas such as health care, education, trade, and the environment. The Law on Social Services promotes NGO service providers by allowing them to participate in

government procurements and grant opportunities. The Regulations on Conducting Competitions for Government Funding of Social Services creates a fair and competitive process for awarding grants and

contracts to NGOs. Municipal governments, however, are not always transparent in their decision making processes.



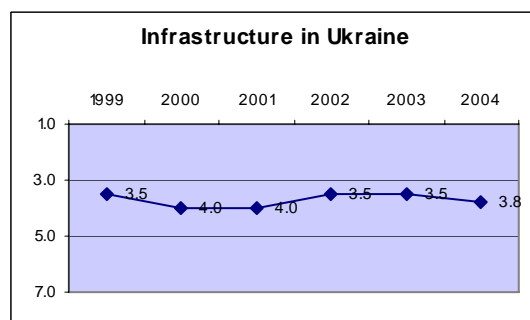
Because necessary mechanisms such as licensing and service classification rules have not been adopted, NGO service providers have yet to benefit from the Law on Social Services. The government, in

collaboration with NGO representatives, is currently drafting a number of these important implementing regulations that will allow NGOs to benefit from the new law.

Another challenge for NGO service providers is pricing policy. NGOs are generally uncomfortable charging money for their services, and often undersell themselves. Although pricing should reflect government and for-profit market prices, NGOs generally do not charge enough to cover their costs. Such below-cost pricing contributes to the stigma that NGO services are not worth much. Basing price policy on current market prices, together with proper licensing procedures, will improve the image of NGOs as service providers.

INFRASTRUCTURE: 3.8

Due in part to a reduction of international donor financing, the number of NGO resource centers has decreased from sixteen to four. These resource centers offer NGOs access to information and databases, computers, fax machines, and printers, as well as capacity building, conferences, seminars, and trainings.



NGOs are increasingly taking advantage of more diverse and informal mechanisms of resource-sharing. The Kamyanets-Podilsky city executive committee, for example,

offers NGOs the use of its conference hall, space in the municipal paper, and access to information. The municipality has also designated a special contact person to facilitate communication between civil society organizations and the mayor. As

municipalities offer such support to NGOs, formal resource centers will become less necessary.

NGO coalitions vary in type and structure and include the ad-hoc groups that organized around the recent presidential elections.

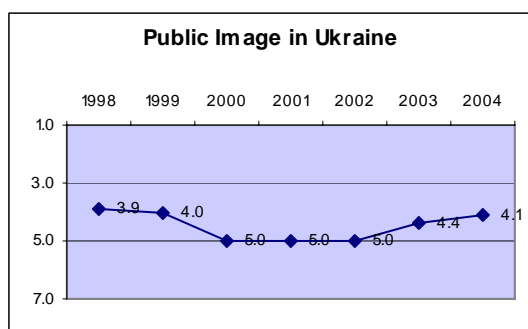
Coalitions often send out press releases to announce their creation as well as their achievements. “New Choice” is an effective coalition that includes the “Spilny Prostir” Association and the “Equal Access” Committee. The “New Choice” coalition consolidates public efforts to monitor, educate, protect rights, and advocate for credible and fair presidential elections.

Another example is the all-Ukrainian Coalition for Advocacy for Disabled and Mentally Disadvantaged Persons, which unites 57 NGOs to engage in discussions with authorities, draft a paper on Social Adaptation of Mentally Disadvantaged Persons, and introduce new regulations. In 2004, this coalition organized a nation-wide information and discussion campaign on the

UN International Convention for the Protection of Rights and the Dignity of People with Disabilities. In addition, it analyzed and evaluated the UN Convention to determine whether it complies with Ukrainian legislation, and made proposals to the Convention for ratification.

PUBLIC IMAGE: 4.1

The role and influence of the NGO sector in Ukraine is steadily growing. At the end of 2003, the Head of the Communist Party Faction in Parliament requested the creation of a commission to investigate “foreign interference in the financing of election campaigns via NGOs,” resulting in the “grant-eaters” case. The proponents of this Parliamentary investigation intended to weaken the NGO sector and reduce its influence, but instead, the investigation raised the sector’s profile and galvanized its place in Ukrainian society.



NGO relations with the business community, the government, and other NGOs have improved as the general public increasingly understands that NGOs are a transformational force in society. The NGO sector’s first major Ethics Conference, sponsored by USAID and its partner ISC-

UCAN, was held September 2003. The Conference produced a draft Declaration of Ethical Principles, which was later reviewed and discussed by 371 NGOs throughout the country, and adopted at the second Ethics Conference in September 2004. The Ethical Principles are expected to improve the NGO sector’s public image, generate more trust and support, and increase the levels of volunteerism.

The media has increased its coverage of the NGO sector significantly. NGOs increasingly inform the general public about their activities by holding press-conferences, inviting journalists to public events, publishing articles at the national and regional levels, printing books and brochures about the sector, and using the internet effectively. Despite these efforts, the general public still does not have sufficient access to quality information about the NGO sector’s work. USAID-funded programs are addressing the issue by holding information campaigns about civil sector activities via press clubs, television programs, a weekly radio program, and providing media and public relation trainings to NGOs.